

## **Response to Questions on Notice – PAEC 2016-17 Budget Estimates Hearing – Finance Portfolio**

### **Question 1:**

In relation to the 2016-17 Budget, recognising that the Treasurer makes the determination about the size of dividends, please provide other reasons why the estimates of dividends revenue from the Transport Accident Commission (from 2015-16 to 2018-19) differ from the figures in the Victorian Pre-Election Budget Update (November 2014). (*Pages 6-8 of the Finance portfolio transcript*)

### **Response:**

Section 29B of the *Transport Accident Act 1986* (TAC Act) provides the Treasurer with broad discretion to determine the amount and timing of any dividends to be paid by the TAC.

In determining the level of dividends to be paid by the TAC in any particular year, the Treasurer considers the financial capacity and needs of the TAC and broader budgetary considerations.

The TAC is forecast to be profitable in each year of the forward estimates. It is also forecast to remain within its preferred accounting funding ratio over that period.

As required by the TAC Act, the Treasurer will consult with the TAC Board and the relevant Minister before making any formal dividend determinations and will have regard to the solvency margin determined to maintain the long term financial viability of the transport accident scheme.

### **Question 2:**

Recognising that the Treasurer makes the determination about the size of dividends, please provide other reasons why the estimates of dividends revenue from the Victorian Managed Insurance Authority fall from \$165 million in 2016-17 to \$13 million in 2019-20. (*Pages 9-10 of the Finance portfolio transcript*)

### **Response:**

The projected dividends payable by VMIA in 2016-17 is \$145 million.

Section 13 of the *State Owned Enterprise Act 1992* (the Act) provides the Treasurer with the authority to determine the dividends to be paid by VMIA.

The dividends to be paid in any year are not necessarily an indicator of profitability in that particular year. In determining the timing and amount of dividend to be paid by the VMIA, the Treasurer has regard to both VMIA's profitability and financial position and broader budgetary considerations.

As required by the Act, the Treasurer will consult with the VMIA Board and the relevant Minister before making any dividend determinations.

The VMIA is projected to remain in a strong financial position and stay within their preferred accounting funding ratio range over the forward estimates.

**Question 3:**

In relation to the increase of 39.8 per cent of the 'Economic Regulatory Services' output's funding between the 2015-16 budget estimate and the 2016-17 budget estimate (Table 2.20 2016-17 Budget Paper No.3), please indicate what portion belongs to the new port regulation as part of the lease of the operations of the Port of Melbourne. *(Page 10 of the Finance portfolio transcript)*

**Response:**

Additional funding of \$1.1 million has been provided in 2016-17 for the new port regulations as part of the lease of the operations of the Port of Melbourne.

**Question 4:**

Please provide further information regarding proposed reforms to the Financial Management Act, and how any proposed reforms compare to similar legislation across other jurisdictions. *(Page 13 of the Finance portfolio transcript)*

**Response:**

The Government is still in the process of developing specific proposals for the reform of the *Financial Management Act 1994* (FMA). When developed and approved by Cabinet, these proposals will be brought before Parliament as a Bill to amend the FMA and possibly other legislation relating to the State's financial management.

In broad terms, reform proposals will be directed towards: improving public sector performance; addressing issues with respect to financial management which have been raised previously, including by PAEC and by the Auditor-General; and bringing Victorian public sector financial management into line with best practice. These aims are embodied in the Government's overall public sector reform agenda.

In developing reforms, the Government will examine the most recent legislation relating to public sector financial management in other jurisdictions. Such legislation includes, but is not limited to, the Financial Accountability Act 2009 of Queensland; the Financial Management Act 2006 of Western Australia; the Public Governance, Performance and Accountability Act 2013 of the Commonwealth; and the Public Finance Act 1989 of New Zealand.

**Question 5:**

Please explain why the cost estimates of the 'Economic Regulatory Services' output differ between Table 2.20 (\$24.6 million, 2016-17 Budget Paper No.3, p.309) and Table 1.4 (\$24.3 million, 2016-17 Budget Paper No.3, p.108) of the 2016-17 Budget. *(Page 16 of the Finance portfolio transcript)*

**Response:**

The addition of the figures across years in Table 1.4 totalling \$24.3 million is not directly comparable to the \$24.6 million for 2016-17 in Table 2.20. The \$24.6 million is for one year only whereas the \$24.3 million is for several financial years.

The table below shows the breakdown of each initiative under Table 1.24 (Budget Paper No.3, page 108).

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Please note the funding for taxi price regulation and monitoring was not mentioned in the BP3 commentary on page 317. This taxi regulation funding is for 2016-17 only.

	(\$ million)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Consumer Protection for electricity and gas customers	0	1.6	1.3	1.1	1.1
The Fair Go Rates System	2.7	2.9	2.8	2.8	2.8
Price Regulation for port users	0	1.1	1.1	1.1	1.1
	<u>2.7</u>	<u>5.6</u>	<u>5.3</u>	<u>4.9</u>	<u>4.9</u>
Taxi price regulation and monitoring	0	0.9			
	<u>2.7</u>	<u>6.5</u>	<u>5.3</u>	<u>4.9</u>	<u>4.9</u>

**Question 6:**

It is understood that the Victorian Asbestos Eradication Agency will be established by the end of 2016; please indicate when it is expected to be operational. *(Pages 14-15 of the Finance portfolio transcript)*

**Response:**

The Victorian Government remains committed to establishing the Victorian Asbestos Eradication Agency by the end of 2016. Once established, WorkSafe aims to fulfil all staffing and resourcing requirements with expediency so that there is minimal delay to the agency becoming operational.

**Question 7:**

The Essential Services Commission has been given an extension to provide its final report into distributed generation in February 2017. Please explain the reason why the Minister for Finance has allowed this extension. *(Pages 16-17 of the Finance portfolio transcript)*

**Response:**

After initial consultation and research the Essential Services Commission concluded that given the complexity of the issues (in particular determining the network value of distributed generation) it needed more time to properly investigate the issue and requested an alteration to their original end of February 2016 deadline. The Minister for Energy, Environment and Climate Change was consulted and supported the request.

On this basis, I approved the ESC's request for the report to be released in two parts:

- Part 1 – True energy value of distributed generation, which will be released by August 2016; and
- Part 2 – True network value of distributed generation, which will be released by February 2017.

**Question 8:**

Please provide an explanation as to why three categories of transactions of land sales (value of uplift transactions, sales under \$100,000 and sales on behalf of VicTrack) do not appear on the Department of Treasury and Finance website. *(Page 25 of the Finance portfolio transcript)*

**Response:**

The Department of Treasury and Finance land sales website was established to provide information regarding surplus government land sales to the general public. The website improves transparency and allows for businesses and individuals that are interested in purchasing surplus government land to identify when and where it will be sold.

1. Value uplift transactions are not sales. Rather, they are a removal of a restriction associated with a title that was acquired sometime in the past. As such, they are not listed on the Department of Treasury and Finance land sales website.
2. The Department of Treasury and Finance land sales website was established under the *Victorian Government Landholding Policy and Guidelines*. Reporting under this policy is limited to Victorian Government departments, Victoria Police and VicRoads. VicTrack is a Public Non-Financial Corporation and is not within the General Government sector. As such, it is not required to report on the Department of Treasury and Finance land sales website.
3. When the Department of Treasury and Finance land sales website was established in 2014, a sales value threshold of \$100,000 was set to focus on sites considered to be of broad interest to the general public, whilst minimising the administrative impact on departments.